Office - Supreme Court, U. S.
FILED
JUL 3 1946
CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

October Term, 1946

No. 208

TRANSPARENT-WRAP MACHINE CORPORATION,
Petitioner,

vs.

STOKES & SMITH COMPANY,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

SAMUEL E. DARBY, JR.,
VIRGIL E. WOODCOCK,
Counsel for Respondent.

IN THE

Supreme Court of the United States

October Term, 1946

No. 208

TRANSPARENT-WRAP MACHINE CORPORATION,
Petitioner,

vs.

STOKES & SMITH COMPANY,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

Despite the effort of petitioner to make it appear otherwise, the simple question presented by this case, and passed upon by the Court of Appeals below, is whether or not the owner of a patent may validly and enforceably impose as a condition to a license thereunder that the licensee shall irrevocably assign to the patent owner the patent rights to all inventions thereafter made by the licensee relating to or usable in connection with the subject matter of the licensed patent, so as to thereby enlarge and extend the monopoly of the patent owner.

The question arose in the present case by the inclusion of such a compulsory condition in a simple, exclusive *patent license agreement* of usual, general form.

The question presents no novel question of law. Quite to the contrary, the decision of the majority of the Court below was based squarely upon recent decisions by this Court which explicitly, and for fifteen years repeatedly established the law and impliedly directed its application to

all instances where a patent owner sought to use his patent to create or maintain a monopoly other than and beyond that established by his patent.

Beginning with what may be characterized as the first of the so-called "improper use of patent" cases, namely *Carbice Corp.* v. *American Patents Development Corp.*, 283 U. S. 27, this Court said (at p. 32):

> "* * * courts deny relief against those who disregard *the limitations sought to be imposed by the patentee beyond the legitimate scope of its monopoly.*"

Thereafter, various and varied attempts by patent owners to improperly use their patents to create or maintain monopolies other than and differing from the monopoly established by their patent came up for review by this Court, with the uniform result that regardless of in what form the question was presented, and regardless of in what guise or by what means the patent owner sought to use his patent for this improper purpose, this Court, *without exception or dissent*, adhered to the fundamental principle it had announced was required by considerations of public policy, and declared illegal all such attempts.*

Thus, in language which it is believed was intended to stamp as futile *all* attempts to evade the application of the fundamental principle controlling in all of the cases, this Court in *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, stated (at p. 456):

> "The patent law confers on the patentee a limited monopoly, the right or power to exclude all others

---

* *International Business Machine Corp.* v. *United States*, 298 U. S. 131 (1936); *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458 (1938); *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, (1940); *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488 (1942); *B.B. Chemical Co.* v. *Ellis*, 314 U. S. 495 (1942); *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661 (1944); *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680 (1944).

from manufacturing, using, or selling his invention. Rev. Stat. Sec. 4884, 35 USCA Sec. 40. The extent of that right is limited by the definition of his invention, as its boundaries are marked by the specifications and claims of the patent. Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U. S. 502, 510, 61 L. Ed. 871, 876, 37 S. Ct. 416, LRA1917E 1187, Ann. Cas. 1918A 959. He may grant licenses to make, use or vend, restricted in point of space or time, or with any other restriction upon the exercise of the granted privilege, *save only that by attaching a condition to his license he may not enlarge his monopoly and thus acquire some other which the statute and the patent together did not give.*

"He may not by virtue of his patent, condition his license so as to tie to the use of the patented device or process the use of other devices, processes or materials which lie outside of the monopoly of the patent licensed * * * or *condition the license so as to control conduct by the licensee not embraced in the patent monopoly."*

Therefore, the present case merely presents the same, repeatedly decided question, in a slightly different setting, unwarrantedly presented by petitioner in a different guise.

If, as is believed to be the case, the comprehensive language used by this Court in the "improper patent use" cases, and particularly in the *Ethyl Gasoline* case, was intended to be controlling on *every* attempt by a patent owner to thus improperly use his patent, and relieve this Court of the necessity of reviewing *each* ingeniously devised attempted evasion of a firmly established legal principle, then the grant of the present petition is entirely unwarranted.

Nor is that conclusion altered in any respect by petitioner's repeated reference to the decision of the Seventh Circuit Court of Appeals in 1934 (*Allbright-Nell Co.* v. *Stanley Hiller Co.*, 72 Fed. (2d) 392) long prior to this

Court's decisions establishing the law, and six years prior to this Court's decision in the *Ethyl Gasoline* case. Similarly, this conclusion may not be escaped by petitioner's distorted interpretation of this Court's decision in *Hartford Empire Co.* v. *United States*, 323 U. S. 386. That decision is not only consistent with the "improper patent use" cases above referred to, but also may be considered as an authority supporting them. Apparently, petitioner has distorted a direct holding of illegality of a provision in a license agreement similar to that here involved (see 323 U. S. 417-418) into an approval thereof; and has completely ignored the clarifying opinion of this Court on rehearing (324 U. S. 570) which struck the *illegal* provisions of the license agreements without disturbing the *legal* provisions thereof in accordance with long-established legal principles, and specifically held that the deletion of the *illegal* provisions did not give the licensor the right to terminate the license agreement.

The petition should be denied.

Respectfully submitted,

SAMUEL E. DARBY, JR.,
VIRGIL E. WOODCOCK,
Counsel for Respondent.